

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Telecommunications BranchRESOLUTION NO. T-14067
May 4, 1990R E S O L U T I O N

PACIFIC BELL. ORDER ADDRESSING REVISION OF ITS TARIFF SO THAT RATES AND CHARGES ARE NOT APPLICABLE WHEN TOUCH-TONE CALLING IS PROVIDED FROM STEP-BY-STEP CENTRAL OFFICE EQUIPMENT.

BY ADVICE LETTERS 15657 AND 15657A.

SUMMARY

Pacific Bell's (Pacific) Advice Letter No. 15657 proposes to remove the rates and charges for touch-tone customers served by step-by-step central offices. It also proposes a grace period during which residence customers, whose central offices are changed over to electronic central offices, will not be charged for touch-tone service.

Four protests were filed concerning Advice Letter No. 15657. This resolution authorizes the proposed tariff charge.

BACKGROUND

Advice Letter 15657, filed January 9, 1990, requests permission to revise Schedule Cal. P.U.C. No. A5. Exchange Services, 5.4.2 Touchtone Calling Service. The requested revision will eliminate the application of rates and charges for touch-tone calling when provided through step-by-step central office equipment.[1] It also proposes a grace period (until residence charges for touch-tone are eliminated as ordered in Decision 89-10-031, phase 2 of the Commission's investigation into alternative regulatory frameworks for local exchange companies) during which residence customers, under certain conditions, will be exempt from touch-tone calling rates and charges should the step-by-step central office equipment be up-graded. This proposed change will eliminate customer confusion due to the

1 A step-by-step central office is an electro-mechanical switch which requires additional equipment to provide touch-tone calling. This equipment translates the signals from the pushbutton dial into direct current dial pulses which direct the operation of selector switches in the central office. Electronic central offices can process the pushbutton signals directly.

May 4, 1990

possibility of having charges removed and reinstated and removed again during a short time period.

Pacific filed a supplement, 15657A, on February 2, 1990. It states the no-charge grace period applies only to residential customers and includes the annual revenue effect of the advice Letter.

Pacific also filed Advice Letter No. 15658 on January 9, 1990, proposing a \$5 million credit to current touch-tone customers served by step-by-step central offices.

The Commission's public records detail four events or letters that have bearing on these advice letter filings. The first is Decision 89-10-031, phase 2 of the alternative regulatory framework investigation, I.87-11-033. It orders the elimination of touch-tone charges for residence customers. This will take effect during phase 3 of the alternative regulatory framework investigation, expected within the year. The Decision stated that elimination of touch-tone charges for business customers may be considered in the pending supplemental rate design.

The second proceeding is Case (C) 86-07-013, in which George Sawaya complained that although he was paying for touch-tone service he was not getting faster service as advertised by the utility. Mr. Sawaya was served by a step-by-step central office. The Commission ruled against the complaint on several grounds, among which was that Pacific had already refunded Mr. Sawaya's charges for touch-tone service, Pacific agreed to change its advertising and Mr. Sawaya's petition for a rehearing of his complaint was denied.

Third, on May 11, 1989 Pacific sent a letter to the Commission's Executive Director (with copies to the Commission President and Deputy General Counsel) committing itself to refund a total of \$5 million, including interest, to existing residential customers who are served by step-by-step central offices and who subscribe to touch-tone service. In its letter Pacific represented that it would file an advice letter requesting waiver of the \$1.20 monthly charge for touch-tone be waived for residential customers served by step-by-step central offices. (The advice letter does not restrict the elimination of charges to residence customers.)

In his May 30, 1989, response to Pacific's May 11th letter, the Commission's Deputy General Counsel reminded Pacific that any such refund and termination proposal would be subject to full public scrutiny, consistent with the Commission's routine advice letter procedures. Both the May 11, 1989 and May 30, 1989 letters are part of the formal record in C. 86-07-013.

May 4, 1990

PROTEST AND RESPONSES

Protests were filed by Division of Ratepayer Advocates (DRA), Toward Utility Rate Normalization (TURN), AT&T Communications (AT&T), and Utility Consumers Action Network (UCAN). Pacific filed responses.

UCAN Protest and Pacific Response

UCAN filed a combined protest of Pacific's two advice letters on January 26, 1990. It objects that the refund credits are inadequate and the proposed tariff changes do not properly address the continued practice of charging customers who do not receive true touch-tone service. It states that hearings are warranted on ambiguities in the advice letters.

Pacific responded on January 31, 1990, that UCAN's protest neither meets General Order (GO) 96-A requirements nor supports its request for hearings. Pacific further states that UCAN fails to state why it believes the credit to be inadequate or why it believes certain customers are not receiving "true" touch-tone service.

Pacific explains that all its touch-tone customers receive the service described in its tariffs[2], however, some customers are confused about alleged speed differences in placing calls using touch-tone rather than rotary dialing. Pacific also explains that "in light of the fact that touch-tone charges for all residence customers will be eliminated in the near future, pursuant to D.89-10-031, Pacific believed that to the extent any customer confusion existed, the confusion would be eliminated by removing touch-tone charges for residence and business customers served by step-by-step central offices and providing them a limited refund."

TURN's Protests

On January 29, 1990, TURN filed its protest to the advice letter. Regarding Advice Letter 15657, it requests that since customers served by cross-bar central offices are similarly situated as customers served by step-by-step offices, they should also receive a waiver of the charges for touch-tone calling.

DRA's Protests

DRA recommends that Advice Letter 15657 either be set for hearing or its applicability be expanded to include customers served by cross-bar central offices. DRA supports its protest on several grounds. First DRA explains that the purpose of the proposed filing is not stated; however, the implication is that touch-tone customers served out of step-by-step offices do not receive the same quality of service as customers served by electronic central offices. Based on the different service quality, DRA contends that customers in cross-bar

2 Schedule Cal. P.U.C. No. A5., Section .5.4.2.A.1 describes Touch-Tone Calling Service as, "[a] service arrangement permitting the use of pushbutton equipped telephone instruments in lieu of rotary dial equipped telephone instruments to originate calls."

May 4, 1990

offices should receive the same treatment Pacific proposes for customers served by step-by-step offices. DRA also states that the filing does not meet GO 96-A requirements because it does not give the annual revenue reduction. DRA has two additional concerns: 1) whether business class customers are included and 2) the revenue reduction impact should be excluded from Z factor³ considerations prescribed in D. 89-10-031.

AT&T's Protests

By letter dated January 29, 1990, AT&T protests the two advice letters. AT&T states that the Commission, in previous proceedings, has decided touch-tone calling charges are not to be dealt with until the outcome of I.87-11-033. To do otherwise, AT&T states, will cause confusion and affect rates and affect the amount of shared earnings if Pacific earned a rate of return greater than 13% as directed in D.89-10-031, a new regulatory framework decision.

Pacific's Response to DRA, TURN, and AT&T

Pacific Bell responded to the protests of each advice letter by DRA, TURN and AT&T on February 2, 1990. Regarding DRA's protest of Advice Letter 15657, Pacific states that DRA falsely contends that the Advice Letter is meant to eliminate charges for touch-tone service which Pacific is not providing. As in its response to UCAN, Pacific explains that it is providing touch-tone service, as described in its tariffs, to all customers including those served by step-by-step central offices. "Pacific proposed eliminating charges for Touch-Tone service provided by step-by-step offices because some customers served by these offices may have been confused about the speed with which calls are completed using Touch-Tone service rather than a rotary dial phone. In light of the fact that Touch-Tone charges for all residence customers will be eliminated in the near future pursuant to C.89-10-031, Pacific believes that to the extent any customer confusion still exists, that confusion can be minimized by removing Touch-Tone charges for residence and business customers served by step-by-step central offices and offering those customers a limited refund as proposed in Advice Letter No. 15658, an advice letter filed concurrently with this Advice Letter."

Pacific says it excludes customers served by cross-bar central offices because "Touch-tone connection takes place faster in a No. 5 cross-bar switch than in a step-by-step switch. There has been no customer confusion or complaint about cross-bar central office, and therefore, there is no reason to eliminate these customers' charges for touch-tone service."

In response to DRA's final concerns, Pacific filed supplemental Advice Letter 15657A to provide the estimate of annual revenue effects, meeting DRA's protest and GO 96-A requirements. Pacific states that,

³ The Z factor is a part of the price cap index formula, prescribed in Pacific Bell's Genral Rate Case phase 2 Decision 89-10-031. The Z factor adjusts for changes in costs for the year for which rates are set.

May 4, 1990

at this time, the issue of Z factor adjustments is irrelevant and should be ignored. Pacific believes that its response to DRA also answers TURN's protest.

Pacific agrees with AT&T's assertion that the Commission intends to determine the method for eliminating touch-tone charges for all residential customers in Phase 3 of I.87-11-033. Nevertheless, Pacific states that this does not preclude the Commission from acting now on a narrow issue involving a very few customers. Action now will eliminate customer confusion and be consistent with Commission intent to consider elimination of touch-tone charges for residence customers later this year.

Finally, Pacific declares that eliminating touch-tone rates for step-by-step customers alone is reasonable because only step-by-step customers may have been confused. Furthermore, Pacific is proposing a no-charge grace period for residence customers whose central office is converted from step-by-step to prevent confusion that could arise from the occurrence of multiple billing changes when the customer has initiated no change in service.

DISCUSSION

This advice letter and its supplement request authority to include a provision in Pacific's tariff that touch-tone rates and charges are not applicable when touch-tone calling is provided from step-by-step Central office equipment. The proposed tariff revision also provides a grace period, until all touch-tone charges are eliminated, so that residence customers would not be charged for touch-tone service if or when their central office equipment is converted to a new, electronic office. This will avoid on-again, off-again charges when the Commission eliminates touch-tone charges later this year. The prospect of future touch-tone charge elimination directed in D.89-10-031 and the opportunity to eliminate possible customer confusion concerning the speed with which touch-tone service completes a call are the main reasons Pacific gives in support of the advice letter.

There is evidence that touch-tone service is different depending on the central office. First there is Pacific's engineering witness's testimony in C.86-07-013 (Pages 40-42) which discusses the difference between rotary and touch-tone service in a step-by-step central office and compares this with an electronic office. The witness stated that he prepared a trial to compare the time to place calls using touch-tone service and without touch-tone service from the Cedar Grove Exchange to his office in San Ramon, CA. With touch-tone the call completion time was 9 to 14 seconds. Without touch-tone (rotary dial), the time was 12 to 14 seconds. He said he placed approximately 12 calls. According to the witness, touch-tone service offered by an electronic office allows a call to be completed in under 1 second.

The change in advertising brochures pointed out by TURN and Pacific's testimony in C.86-07-013 also suggest there is a difference in service offered through step-by-step central offices and electronic offices. Beginning in 1986 Pacific Bell qualified its description of touch-tone service being faster than rotary service by adding "in some areas."

May 4, 1990

Both these examples suggest there are differences in touch-tone service.

The testimony in C.86-07-013 does not address touch-tone service provided by cross-bar central offices. In its response to the protests, Pacific states that cross-bar service is better than step-by-step, but does not address touch-tone on cross-bar compared to electronic. It defends exclusion of cross-bar customers based on not having received complaint or other indicators of confusion. Therefore, there is insufficient evidence to support the protesters' request to broaden the advice letter to include touch-tone services provided by cross-bar central offices.

The authorization of this advice letter should not prejudice the pending Commission decision of touch-tone issues. The inclusion of business customers in the elimination of touch-tone charges for those served by step-by-step central offices is based on the difference in service, not on the forth-coming elimination of touch-tone charges for residence customers or Commission consideration of elimination of charges for business customers.

In its responses to the protests, Pacific describes this advice letter and its companion Advice Letter 15658, as a goodwill gesture. Therefore, the revenue effects, a decrease in revenues of an estimated \$1,120,000, should be excluded from recovery from the ratepayers as DRA recommends.

May 4, 1990

FINDINGS

1. Advice Letter 15657, filed January 1, 1990, requests permission to revise Schedule Cal. P.U.C. No. A5. Exchange Services, 5.4.2 Touchtone Calling Service. The requested revision will eliminate the application of rates and charges for touch-tone calling when provided through step-by-step central office equipment. It also proposes a grace period until touch-tone charges are eliminated as ordered by D.89-10-031, during which residence customers, under certain conditions, will be exempt from touch-tone calling rates and charges should the step-by-step central office equipment be up-graded.

2. Pacific filed a supplement, 15657A, on January 2, 1990. It states the no-charge grace period applies only to residential customers and includes the annual revenue effect of the advice Letter.

3. Protests were filed by Division of Ratepayer Advocates, Toward Utility Rate Normalization (TURN), AT&T Communications (AT&T), and Utility Consumers Action Network (UCAN). Pacific filed responses.

4. The forthcoming elimination of charges for touch-tone service might support removing charges for residence customers served by step-by-step central offices several months earlier. However, no such order has been declared for business customers. D.89-10-031 refers consideration of elimination of charges for touch-tone to business class customers to review in Pacific's pending Supplemental Rate Design proceeding.

5. The grace period for residence customers addresses the confusion issue and might be supported by pending elimination of touch-tone charges as a means to avoid on-again, off-again charges.

6. Pacific defends exclusion of cross-bar customers based on not having received complaint or other indicators of confusion. The record is insufficient to support any conclusion regarding the service provided to cross-bar customers.

7. Pacific asserts that these advice letters are a goodwill gesture. As such, DRA's position that the refund amount be excluded from recovery by ratepayers is well-taken.

8. Because there is a difference in quality of touch-tone service between step-by-step central offices and other central offices, the elimination of charges for touch-tone service served by step-by-step central offices is appropriate.

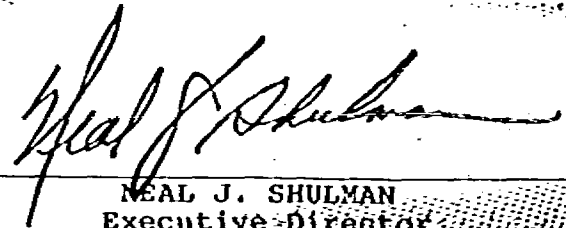
May 4, 1990

IT IS ORDERED THAT:

1. Advice Letter 15657 and its supplement 15657A are approved. The advice letter, its supplement, and appropriate tariff sheets authorized herein shall be marked to show that they were authorized under Resolution No. T-14067.
2. Pacific shall not apply to recover the credit revenue and administrative costs as a "Z" factor.
3. To the extent discussed above, the protests are denied.
4. The effective date of this resolution is today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 4, 1990. The following Commissioners approved it:

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners


NEAL J. SHULMAN
Executive Director